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SUBJECT: CODEL LYNCH REVIEWS MOROCCO'S TERRORISM FINANCE  
COUNTERMEASURES

REF: STATE 029978 (NOTAL)

¶1. (SBU) Summary: In an April 10 meeting with the Ministry of Finance, CODEL Lynch encouraged Morocco's new Financial Intelligence Unit, launched on the morning of the CODEL's visit to Morocco, to closely coordinate with U.S. counterparts to ensure maximum integration with relevant financial authorities in other countries. Government of Morocco representatives thanked the Representatives Lynch and Inglis for their interest in Morocco's efforts to combat financial crimes, and praised U.S. technical assistance, growing investment and commercial ties. Although the new Unit will take some time to recruit staff and define its responsibilities, it would respond to the U.S. offers for assistance, its president assured the delegation. End Summary.

¶2. (SBU) Ministry of Finance Secretary General Abedeltif Loudyi, along with President of the Financial Intelligence Unit (FIU) Hassane Abdellaoui and Bilateral Relations Director Abdelaziz Khaoua, welcomed Representatives Lynch and Inglis to Morocco. Excusing Minister of Finance Mezzouar due to his obligations in Parliament, Loudyi commented with satisfaction on Morocco's economic and assistance relations with the U.S., highlighting the Millennium Challenge Account Compact and the U.S.-Morocco Free Trade Agreement (FTA) as particularly helpful in promoting growth and strengthening investment and commercial ties. Loudyi also praised technical assistance provided by USAID to Morocco.

¶3. (SBU) Representative Lynch noted that both he and Representative Inglis are "friends of Morocco" who had supported approval of the FTA in 2005. Representative Lynch congratulated Morocco for its efforts to combat terrorist financing and for its official inauguration of the new FIU that morning. Representative Lynch noted that he has assisted in establishing FIUs in many countries, including Afghanistan and Jordan, and observed that the key to success is making informed early decisions on technology and training. Representative Lynch recommended that the new FIU work closely with the U.S. Treasury's Financial Crimes Enforcement Network (FinCEN) to ensure useful networking capabilities with international partners and adopt international best practices for an FIU.

¶4. (SBU) Loudyi thanked the Congressmen for their counsel and observed that Abdellaoui's prior experience with the International Monetary Fund and the central bank had sensitized him to the need to develop useful and compatible working relationships with international partners. Loudyi also outlined the extant training relationship with the European Union to provide technical assistance for the FIU and the Ministry of Finance, a collaboration that includes on average one training session per week for two years. The new

FIU, Loudyi elaborated, will continue the interaction the Finance Ministry had conducted with banks and financial institutions to ensure adherence to practices mandated to fight money laundering and terrorist financing. The FIU would be strengthened in its work relative to the Finance Ministry, however, by the incorporation of elements from the Ministry of Justice and the central bank.

15. (SBU) Responding to Representative Inglis's query about Moroccans, perceptions of the FTA, Loudyi endorsed the benefits of the increases in investment and trade since the date of its effect, but observed that Moroccan exporters need to adapt to American norms and standards to take full advantage of the U.S. market.

16. (SBU) Representative Inglis asked Loudyi his assessment of how the government's policies have minimized the appeal of extremism in Morocco. Loudyi highlighted the kingdom's steps toward democracy and measures to strengthen respect for human rights and political pluralism. King Mohammed VI has emphasized social programs to reduce the development disparities between urban and rural populations, helping defuse extremist sentiments. Additionally, he continued, increased transparency through reforms, such as the new FIU, the Central Agency for the Prevention of Corruption and upcoming judicial changes, have given citizens a greater stake in society. The goal is clear, Loudyi concluded, but "we still have a lot of work to do." Representative Lynch emphasized that concerns over terrorist financing can undermine the integrity of trading and financial relations. The proper functioning of financial relations, he stated, will depend on ensuring that the wrong people are not able to exploit the legitimate financial system. In response to

Representative Lynch's question about hawalas, Loudyi said it is foreigners rather than Moroccans who are the primary users, and approximately 80 percent of financial transactions go through the formal financial system and its institutions.

17. (SBU) The Charge concluded the meeting by again congratulating Loudyi and Abdellaoui on the inauguration of the FIU, and reminding them of the offer of cooperation from the U.S. Treasury's Office of Technical Assistance. Loudyi assured the Charge that Abdellaoui would respond to the Treasury with specific requests as the FIU takes definition.

18. (U) This cable has been cleared by Congressional Staff Member Bruce Fernandez.

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Jackson